

State of Maine  
Office of Securities  
121 State House Station  
Augusta, Maine, 04333-0121

In Re:

Edward D. Jones & Co., L.P.

Consent Order

09-023-2

This is an order of the Securities Administrator issued under 32 M.R.S.A. § 16412 with the consent of Edward D. Jones & Co., L.P. ("Edward Jones") (CRD #250). Edward Jones neither admits nor denies the findings of fact or conclusions of law set forth below, but agrees to the entry of this Consent Order and waives its right to a hearing and to judicial review.

**I. FINDINGS OF FACT**

1. Edward Jones is a Maine-licensed broker-dealer and federal covered investment adviser with its principal place of business in St. Louis, Missouri.
2. At all relevant times until November 16, 2009, Edward Jones employed Warren C. Spencer ("Spencer") as an agent in the firm's South Berwick, Maine, office.
3. On or about September 26, 2008, Spencer purchased a \$75,000 Wachovia certificate of deposit in the account of Edward Jones's clients Robert and Winifred Ray ("the Rays") without the consent of the Rays.
4. On September 29, 2008, the Rays demanded that Spencer undo the unauthorized purchase of the certificate of deposit.
5. Spencer attempted to cancel the trade four separate times. In the first attempt, Spencer, without disclosing that the transaction had been unauthorized, gave Edward Jones an explanation that the Rays had changed their mind regarding the purchase. Edward Jones denied this request. Spencer then made a second attempt to cancel the trade, this time stating "wrong person/wrong account." This attempt was denied by Edward Jones on the basis that it lacked sufficient information. Spencer then made a third attempt to cancel the trade, explaining this time that he had mistakenly entered the order under the Rays' account instead of the account of another client, Rita Davis ("Davis"). This attempt too was denied. All of the explanations given by Spencer were false.
6. The Firm's Trade Operations Department contacted Field Supervision Director Lisa Monachella ("Monachella") regarding Spencer's requests for a trade correction in the Ray's Trust account. Monachella contacted Spencer who falsely told Monachella that he had inadvertently placed the trade in the wrong account. Monachella approved the correction of the certificate of deposit to Davis's account, which resulted in the CD being purchased in Davis's account on October 9, 2008.

7. On October 9, 2008, Suzanne Skidgel ("Skidgel"), the Rays' daughter, contacted Edward Jones's Client Relations Department alleging that Spencer made an unauthorized trade in her parents' account. Skidgel's verbal complaint was forwarded to the firm's Compliance Resolution Complaint Department for further review, and Monachella was also notified of Skidgel's complaint. After reviewing Skidgel's complaint, Edward Jones sent Skidgel a letter conveying their understanding that Skidgel had discussed the matter with Spencer, that Spencer had cancelled the trade, and that Skidgel was satisfied with the resolution.
8. On February 17, 2009, the Maine Office of Securities ("the Office") informed Edward Jones that two clients of Spencer's, Charles Cavaris ("Cavaris") and Davis, had alleged that Spencer routinely acted with discretionary authority in their account. After conducting and completing its investigation, Edward Jones informed the Office that the firm had talked with Spencer about Cavaris's allegation but was unable to confirm whether Spencer had exercised discretion in Cavaris's account. Edward Jones further represented to the Office that the firm had contacted Cavaris during its investigation. The Office informed Edward Jones that, during the Office's interview with Cavaris, he told the Office that he had never received a call from Edward Jones nor had he spoken with anyone from Edward Jones about Spencer. Edward Jones eventually conceded that it was unable to provide any evidence of that contact.
9. Edward Jones failed to detect or take reasonable steps to address (a) Spencer's conflicting explanations of the circumstances of the Ray transaction, (b) Spencer's failure to disclose material facts to Davis, and (c) that Spencer routinely acted with discretionary authority in Davis's and Cavaris's accounts until the Office inquired as part of an examination of the South Berwick branch office.
10. Edward Jones failed to adequately investigate Skidgel's and Cavaris's allegations by relying solely on Spencer's representations and by not talking directly with Skidgel and Cavaris about their allegations.
11. Edward Jones did not exercise sufficient diligence in confirming the accuracy of the representations as to whether Cavaris was contacted in the course of the Firm's investigation.
12. Edward Jones did subsequently fine Spencer for his conduct in connection with the Ray and Davis transactions and placed him under heightened supervision. The firm also reimbursed Davis for the amount she had overpaid for the CD. Edward Jones ultimately terminated Spencer when the firm determined that he continued to exercise discretion in the Davis account without proper authorization.

## II. CONCLUSIONS OF LAW

1. The Maine Uniform Securities Act ("the Act") grants authority to the Securities Administrator to take disciplinary action against a licensed person who has "failed to reasonably supervise an agent" who "was subject to the person's supervision" and who violated the Act or a rule or order issued under the Act or who otherwise engaged in conduct that would be grounds for discipline under the licensing provisions of the Act. 32 M.R.S.A. § 16412(4)(I). Under this authority, the Securities Administrator can order several types of penalties and conditions against the person who failed to reasonably supervise, including civil fines of up to \$5,000 per violation, if the Securities Administrator finds that the order is in the public interest. 32 M.R.S.A. § 16412(2) & (3).
2. By engaging in the conduct described above, and as determined in the Consent Order of May 12, 2010, Spencer violated the Act and rules promulgated under the Act and engaged in conduct that would be grounds for discipline under 32 M.R.S.A. § 16412(4).
3. As an agent of Edward Jones, Spencer was subject to the firm's supervision. *See* 32 M.R.S.A. § 16102(2) (defining agent).
4. Notwithstanding the appropriate supervisory actions taken by Edward Jones as set forth above in paragraph 12 of the Findings of Fact, Edward Jones committed two failures to reasonably supervise Spencer:
  - a. Edward Jones failed to detect or take timely action to address Spencer's conflicting explanations regarding the Rays' CD transaction; and
  - b. Edward Jones failed to detect or adequately investigate Spencer's routine use of discretion in the accounts of Davis and Cavaris and did not exercise sufficient diligence in confirming the accuracy of its representations to the Office.
5. This Consent Order is in the public interest because it will tend to deter similar failures to supervise in the future.
6. Accordingly, the Securities Administrator has authority under 32 M.R.S.A. § 16412(2), (3), and 4(I) to impose the discipline set forth below.

### III. ORDER

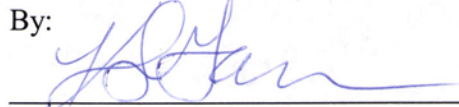
1. Edward Jones is fined \$10,000.00. The firm shall pay this civil fine by submitting a check, payable to "Treasurer, State of Maine," within ten days after the date of this Consent Order.

Without admitting any of the above findings of fact or conclusions of law, Edward Jones, by signing below, agrees to the entry of this Consent Order and waives its right to a hearing and to judicial review.

Edward D. Jones & Co., L.P.

By:

Date: October <sup>26<sup>th</sup></sup>, 2010

  
Name: Kimberly S. Gannon

Title: Senior Associate General Counsel

Date: October <sup>28<sup>th</sup></sup>, 2010

  
Judith M. Shaw

Securities Administrator